

The Wall Street Journal, February 9, 2006

The U.S. Commerce Department is preparing to release a report criticizing the government's long-running sugar-policy programs.

The U.S. has seen thousands of jobs leave the country because of government programs that insulate sugar farmers from cheap imports and force U.S. companies to spend more on sugar than foreign competitors, according to a draft of the Commerce report.

The report blames government policy and artificial sugar prices in the U.S. for the loss of 10,000 U.S. jobs from 1997 through 2002 at companies that produce chocolate, candy, breakfast cereal and other sugar-rich food products. Meanwhile, employment grew by more than 30,000 jobs in the same time frame at food companies not heavily reliant on sugar.

In 2004 U.S. companies paid 23.5 cents for a pound of refined sugar while the "world price" was 10.9 cents, the Commerce Department said, adding that it put U.S. food companies "at a competitive disadvantage" to foreign competition.

The candy and chocolate industries were some of the hardest hit when U.S. sugar prices rose as much as three times the world price in the late 1990s, the report said. Some were forced to shut down or move factories to Mexico or Canada.

Rep. Mark Kirk, (R., Ill.), who asked for the Commerce report in 2004, said he did so because he wanted substantial proof that U.S. sugar policy is responsible for sending jobs out of the country. "We're losing jobs in Illinois," Mr. Kirk said. "We saw the bankruptcy of Fannie May and the departure of Brach's [Confections Inc.]. Chicago used to be the candy capital of the world."

The Commerce Department agrees that U.S. sugar policy has exacerbated a "trade imbalance" in sugar-containing products.

The report credited the high price of sugar as a factor in the decision by Kraft Foods Inc., then-maker of Lifesavers candy, to move its production facility from Holland, Mich., to Montreal. Lifesavers is now owned by the Wm. Wrigley Jr. Co. Christopher Perille, a spokesman for Wrigley, said the company relies on sugar for some of its products and has built a plant in Mexico recently, but also maintains plants in Tennessee, Georgia and two in Illinois.

Phillip Hayes, a spokesman for the American Sugar Alliance, a group representing producers, said the price of sugar in the U.S. has nothing to do with job-loss in the confection industry. He said candy and chocolate companies are moving out of the U.S. for the same reasons other manufacturers do -- the high costs of wages and health care.